

**VILLAGE OF MILLERSBURG**  
**Annual Financial Statements**  
**For the Fiscal Year Ended March 31, 2007**

# Village of Millersburg

## Table of Contents

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<b>Independent Accountants' Review Report.</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>2</b>
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	<b>13</b>
Statement of Activities	<b>14</b>
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	<b>15</b>
Statement of Revenue, Expenditures, and Changes in Fund Balances	<b>16</b>
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	<b>17</b>
Proprietary Fund: Water Department	
Statement of Net Assets	<b>18</b>
Statement of Revenues, Expenses, and Changes in Net Assets	<b>19</b>
Statement of Cash Flows	<b>20</b>
Notes to the Financial Statements	<b>21</b>
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule - General Fund	<b>35</b>
Budgetary Comparison Schedule - Major Street Fund	<b>36</b>
Budgetary Comparison Schedule - Local Street Fund	<b>37</b>
Budgetary Comparison Schedule - Water Fund	<b>38</b>

# Midwest Professionals, P.L.L.C.

Certified Public Accountants

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To the Board of Directors  
Village of Millersburg  
Millersburg, Michigan

We have reviewed the accompanying financial statements of the governmental activities, the business –type activities, the general fund, major & local street funds, and the Water proprietary fund of the Village of Millersburg, as of March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Village of Millersburg.

A review consists principally of inquiries of Village personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2-12 and budgetary comparison information, found after the notes to the financial statements, are not a required part of the basis financial statements but are supplementary information required by the *Governmental Accounting Standards Board* under GASB 34. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we not express an opinion or any other form of assurance on the supplementary information.

*Midwest Professionals*  
*P.L.L.C.*

Midwest Professionals, P.L.L.C.

April 26, 2007  
Gaylord, Michigan

*Member of American Institute of Certified Public Accountants*  
*Member of Michigan Association of Certified Public Accountants*

## **VILLAGE OF MILLERSBURG**

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### **Management Discussion and Analysis**

This section of The Village of Millersburg's annual financial report presents our discussion and analysis of The Village's financial performance during the fiscal year that ended on March 31, 2007. Please read it in conjunction with The Village's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

- The total cost of basic programs, excluding capital outlay and debt payments was \$128,025
- Revenues were at \$138,380 while expenses, capital outlay and debt payments were \$139,016
- The Village is paying on a lease with Ford Motor Company for a plow truck that is being rented by the Major and Local Street funds.
- The Village reduced its outstanding long-term debt by \$12,667.
- The Village has a positive fund balance in the General Fund of \$46,900
- The Village has positive fund balances in the Major and Local Street funds of \$3,592 and \$23,039 respectively.
- The Water fund has a positive net asset balance of \$425,599.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

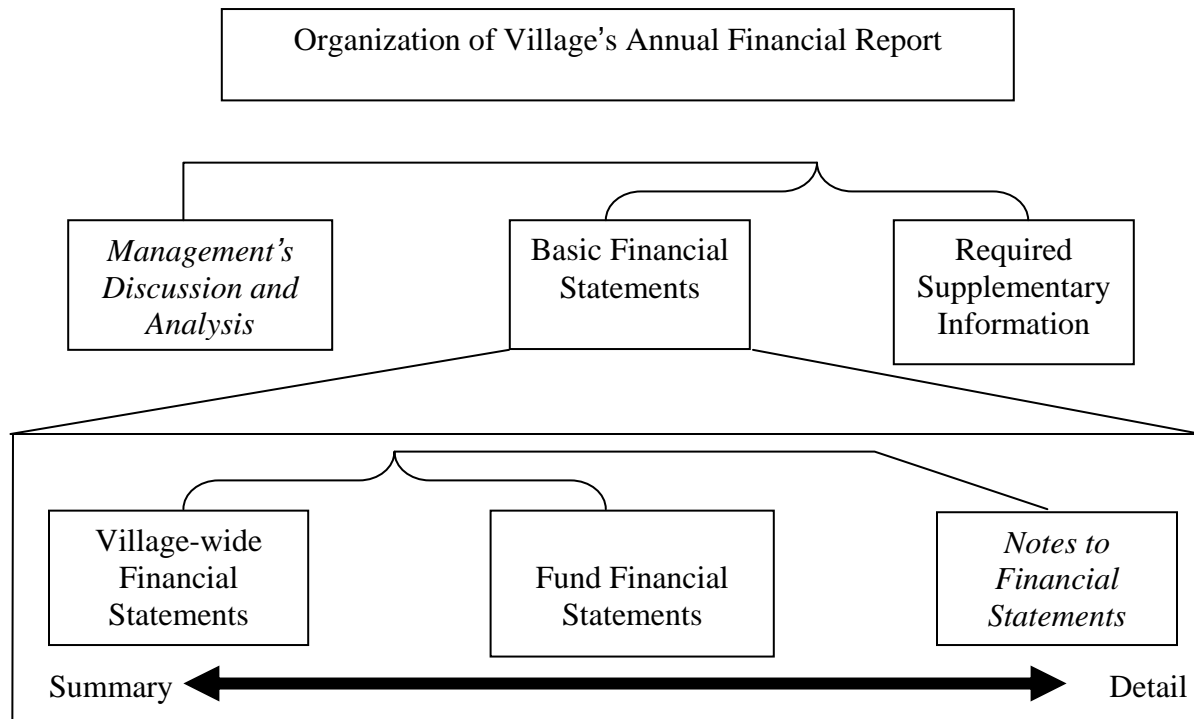
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the Village, and required supplementary information.

- The first two statements are Village-wide financial statements that provide both short-term and long-term information about The Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail. The governmental fund statements tell how basic services such as clerk and treasurer activities, board activities, building & grounds maintenance and street light operations were financed. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.
- The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of The Village's budget for the year.

# VILLAGE OF MILLERSBURG

## Management Discussion and Analysis

The following chart illustrates how the various parts of this annual report are arranged and related to one another.



**Village-wide financial statements.** The *Village-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## VILLAGE OF MILLERSBURG

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### Management Discussion and Analysis

Both of the Village-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The governmental activities of the Village include general government, public works (*which includes the public works expenses for Major and Local Streets*) and community promotions. The business-type activities of the Village are for Water distribution to the community.

The Village-wide financial statements can be found on pages 13 & 14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two of three categories normally used by governments: *governmental funds* and *proprietary funds*. The third category, *fiduciary funds*, is not currently used by the Village.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Village-wide financial statements. However, unlike the Village-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Village-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Village-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and the local street fund. These statements can be found on pages 15 & 16 of this report.

The Village adopts an annual budget for its general fund, major street fund, and local street fund. A budgetary comparison statement has been provided for the general fund, major street fund and local street fund. These statements can be found on pages 35 – 38 of this report.

## VILLAGE OF MILLERSBURG

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### Management Discussion and Analysis

**Proprietary funds.** The Village maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the Village-wide financial statements. The Village uses the enterprise fund to account for its Water Department operations.

Proprietary funds provide the same type of information as the Village-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18 - 20 of this report. A budgetary comparison can be found on page 38 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. As was mentioned earlier, the Village does not currently have a fiduciary fund.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Village-wide and fund financial statements. The notes to the financial statements can be found on page 21 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Village's budgets. Comparison statements are provided to show budget to actual information and related variances. The required supplementary information statements can be found starting on page 35 of this report.

### VILLAGE-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$658,823 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## VILLAGE OF MILLERSBURG

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### Management Discussion and Analysis

An additional portion of the Village's net assets (8%) represents resources that are subject to external or internal restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$71,108 may be used to meet the Village's ongoing obligations to citizens and creditors.

There was a decrease of \$21,399 in unrestricted net assets reported by the business-type activity (Water Department). A large portion (97%) of this decrease was due to annual depreciation expense. The remainder of the decrease was due to minor increases in other expenses paid to vendors.

**Governmental Activities.** Governmental activities decreased the Village's net assets by \$12,333, thereby accounting for 37% of the total decrease in the net assets of the Village. Key elements of this decrease are as follows:

- Interest expenses paid on the Capital Lease Obligations for a new truck which is being rented to the Major and Local Street Funds.
- Depreciation expenses charged for amortization of the new truck and Village owned capital assets to include buildings, equipment, streets, sidewalks, and the bridge.

**Business-type activities.** Business-type activities decreased the Village's net assets by \$21,399 accounting for 63% of the total decrease in the Village's net assets. Key elements of this decrease are as follows:

- Interest paid on debt for the Water system infrastructure.
- Depreciation expenses charged for amortization of Water Department capital assets.

The previous discussion in the **Village-Wide Financial Analysis** section is about the financial information found in the schedules presented on the next page; namely the *Summary of The Village's Net Assets* and the *Summary of The Village's Changes in Net Assets*.



# VILLAGE OF MILLERSBURG

## Management Discussion and Analysis

### Summary of The Village's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	3/31/2007	3/31/2006	3/31/2007	3/31/2006	3/31/2007	3/31/2006
Current Assets	\$ 79,669	\$ 81,256	\$ 56,718	\$ 60,003	\$ 136,387	\$ 141,259
Noncurrent Assets	198,957	220,321	545,432	566,209	744,389	786,530
Total Assets	278,626	301,577	602,150	626,212	880,776	927,789
Current Liabilities	6,139	16,454	9,551	15,214	\$ 15,690	\$ 31,668
Long-term Debt	39,264	39,567	167,000	164,000	206,264	203,567
Total Liabilities	45,403	56,021	176,551	179,213	221,954	235,234
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	159,693	171,390	378,432	396,209	538,125	567,599
Restricted	28,521	36,829	21,069	20,767	49,590	57,596
Unrestricted	45,010	37,337	26,098	30,023	71,108	67,360
Total Net Assets	\$ 233,224	\$ 245,557	\$ 425,599	\$ 446,999	\$ 658,823	\$ 692,556

### Summary of The Village's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	3/31/2007	3/31/2006	3/31/2007	3/31/2006	3/31/2007	3/31/2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 10,302	\$ 34,561	\$ 38,779	\$ 37,857	\$ 49,081	\$ 72,418
Operating Grants & Contributions	47,534	40,856	-	-	47,534	40,856
General Revenues:						
Property Taxes	23,911	22,496	-	-	23,911	22,496
State-shared Revenues	22,531	18,921	-	-	22,531	18,921
Other:						
Interest & Other	34,103	6,456	796	550	34,899	7,006
Total Program Revenues	138,381	123,290	39,575	38,407	177,956	161,697
Expenses:						
General Government	63,685	65,715	-	-	63,685	65,715
Public Works	23,569	20,698	-	-	23,569	20,698
Public Works - Act -51	50,311	48,391	-	-	50,311	48,391
Community Promotion	10,967	27,305	-	-	10,967	27,305
Interest on Debt	2,182	2,486	-	-	2,182	2,486
Water Service Expenses	-	-	60,974	58,600	60,974	58,600
Total Expenses	150,714	164,595	60,974	58,600	211,688	223,195
Decrease in Net Assets	\$ (12,333)	\$ (41,305)	\$ (21,399)	\$ (20,193)	\$ (33,732)	\$ (61,498)

## VILLAGE OF MILLERSBURG

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### Management Discussion and Analysis

#### **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$73,531. Of this total balance, \$45,010 is *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of \$28,521 in the fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to cover \$94 in the tax collections cash account, 2) to cover community enrichment programs developed by the Village; namely the \$212 in the "Random Acts of Kindness" account and the \$1,584 in "Community Youth Program", and 3) to cover the Major and Local Street Fund related fund balances for \$3,592 and \$23,039 respectively.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$45,010, while total fund balance was \$50,873. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 51% of total general fund expenditures, while total fund balance represents 53% of that same amount.

The fund balance of the Village's general fund increased by \$8,670 during the current fiscal year. The key factor for this increase is as follows:

- There was an increase in grants to the youth organizations.
- There was an increase in Shared Revenues from the state and an decrease in expenses over the last year.
- There was an increase in property taxes.

**Proprietary fund.** The Village's only proprietary fund provides the same type of information found in the Village-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$26,098. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

## VILLAGE OF MILLERSBURG

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### Management Discussion and Analysis

#### **BUDGETARY HIGHLIGHTS**

The Village prepared annual budgets for the year. The budget had not been modified throughout the year.

The following variances between actual results and budgeted expectations for the Village's governmental funds are of particular interest:

- The General fund showed a favorable total revenue variance of \$19,967 over budgeted amounts and a favorable total expenditure variance of \$3,652 under budgeted amounts, and a favorable total transfer variance of \$3,500 under budgeted amounts for a net favorable variance of \$27,119
- The Major Street fund showed a favorable total revenue variance of \$3,633 over budgeted amounts, an unfavorable total expenditure variance of \$2,852 over budgeted amounts, and a favorable total transfer variance of \$3,600 under budgeted amounts for a net favorable variance of \$4,381.
- The Local Street fund showed a favorable total revenue variance of \$173 under budgeted amounts, an unfavorable total expenditure variance of \$1,079 under budgeted amounts, and an unfavorable total transfer variance of \$4,175 under the budgeted amount for a net unfavorable variance of \$5,254.

The overall result of budget variances for all governmental funds was a total favorable variance of \$26,246.

The Village had also prepared a budget for the Water fund to facilitate monitoring the proprietary fund's activities. The following variances between actual results and budgeted expectations for the Village's proprietary fund are of particular interest:

- The Water fund showed a favorable revenue variance of \$3,666 over the budgeted amount, an unfavorable total expense variance of \$743 over budgeted amounts, and a favorable total non-operating revenue variance of \$696 over the budgeted amount for a total net unfavorable variance of \$47.

## VILLAGE OF MILLERSBURG

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### Management Discussion and Analysis

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

During prior years and by the end of fiscal year ending March 31, 2007, the Village has invested \$744,389 in capital assets (net of accumulated depreciation). Prior to March 31, 2004, capital assets and related depreciation had not been reported in the governmental funds. The Village-wide *statement of net assets* includes capital assets as part of its asset balance just like a private-sector business would (e.g., the Water fund). The Water fund business-type activity has always included its capital assets in its statement of net assets.

In order to report capital assets on the statement of net assets for governmental activities, it was necessary to compile information on capital assets acquired by the Village as far back as twenty years ago. Depreciation rules were applied using the straight-line method and useful lives appropriate for the asset to determine the net book values of assets still held by the Village. This investment is comprised of capital assets included in the categories listed in the following summary:

#### **Summary of The Village's Capital Assets – Net of Depreciation**

Governmental Activities:	
Land	\$ 53,714
Buildings	31,714
Furniture & Fixtures	1,424
Capital Lease – Truck	48,212
Streets and Bridge Infrastructure	<u>66,543</u>
Total Governmental	198,957
Business-type Activities:	
Water Department Assets	<u>545,432</u>
Total Capital Asset – Net	<u>\$744,389</u>

Additional information on the Village's capital assets can be found in Note 5 on page 27 of this report.

Major capital asset events during the current fiscal year included the following:

- All capital assets with net book values held by the Village were included in the Village-wide *statement of net assets* per GASB 34.

VILLAGE OF MILLERSBURG

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Management Discussion and Analysis

Long-term Debt

At the end of the current fiscal year, the Village’s governmental activities had total long-term debt of \$39,264 consisting of a capital lease for a new truck.

The Village’s business-type activity (Water Department) had total long-term debt of \$167,000 consisting of a revenue bond due to the Department of Agriculture for the Water system infrastructure and equipment.

Summary of The Village’s Outstanding Debt

Governmental Activities:	
Capital Lease - Truck	\$ 39,264
Business-type Activities:	
United States Dept. of Agriculture Revenue Bond	<u>167,000</u>
Total Debt	<u>\$206,264</u>

Additional information on the Village’s long-term debt can be found in Note 8 on page 30 of this report.

Major long-term debt events during the current fiscal year included the following:

- \$11,850 in Capital Lease obligations, consisting of \$9,667 in principal and \$2,182 in interest, were paid during the fiscal year on the truck capitalized by the Village as a capital asset in its *statement of net assets* under governmental activities.
- The business-type activity (Water Department) paid \$3,000 in principal and \$8,846 in interest to the United States Department of Agriculture to reduce its obligation on the Revenue Bond.

## **VILLAGE OF MILLERSBURG**

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### **Management Discussion and Analysis**

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Village's financial forecast is static heading into the 2007/2008 Village year.

- The Village plans to continue the youth program during the next fiscal year and hopes to continue to receive funds.
- Water fees are expected to remain the same for the next fiscal year.
- It is expected that revenue sharing dollars from the state will continue to be an unpredictable source of funds in the future considering current economic conditions with the State of Michigan.

#### **CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide its readers with a general overview of The Village's finances and to demonstrate The Village's accountability for the money it receives. If you have questions about this report or need additional information, contact The Village's office at:

Village of Millersburg  
P.O. Box 135  
5525 Main Street  
Millersburg, Michigan 49759

Village Clerk  
(989) 733-6337

# VILLAGE OF MILLERSBURG

## Statement of Net Assets

March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents ( <b>Note 3</b> )	\$ 26,004	\$ 33,427	\$ 59,431
Restricted Cash and Cash Equivalents ( <b>Note 3</b> )	39,502	21,069	60,571
Accounts Receivable ( <b>Note 4</b> )	7,506	2,223	9,729
Due from Business Type Entity ( <b>Note 6</b> )	6,657	-	6,657
Capital Assets - Net of Depreciation ( <b>Note 5</b> )	198,957	545,432	744,389
Total Assets	278,626	602,150	880,776
<b>Liabilities</b>			
Accounts Payable ( <b>Note 6</b> )	5,788	2,894	8,682
Accrued Liabilities ( <b>Note 6</b> )	351	-	351
Due to Government Entity ( <b>Note 6</b> )	-	6,657	6,657
Long-term Debt			
Due In one Year ( <b>Note 8</b> )			
Capital Lease Liability	9,892	3,000	12,892
Due In More Than One Year ( <b>Note 8</b> )			
Capital Lease Liability	29,372	164,000	193,372
Total Liabilities	45,403	176,551	221,954
<b>Net Assets (Note 9)</b>			
Investment in Capital Assets - Net of Related Debt	159,693	378,432	538,125
Restricted For:			
Streets and Highways	26,631	-	26,631
Tax Account	94	-	94
Designated Activities	1,796	-	1,796
Business-type Activities	-	21,069	21,069
Unrestricted	45,010	26,098	71,108
Total Net Assets	\$ 233,224	\$ 425,599	\$ 658,823

The Notes to the Financial Statements are an Integral Part of this Statement.

# VILLAGE OF MILLERSBURG

## Statement of Activities For the Year Ended March 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government:						
General Government	63,685	10,302	-	(53,383)	-	(53,383)
Public Works	73,880	-	40,799	(33,081)	-	(33,081)
Community Promotions	10,967	-	6,735	(4,232)	-	(4,232)
Interest on Long-term Debt	2,182	-	-	(2,182)	-	(2,182)
Total Governmental Activities	150,714	10,302	47,534	(92,878)	-	(92,878)
Business-type Activities - Water	60,974	38,779	-	-	(22,195)	(22,195)
Total Primary Government	\$ 211,688	\$ 49,081	\$ 47,534	(92,878)	(22,195)	(115,073)
General Revenues:						
Property Taxes				23,911	-	23,911
State-shared Revenues				22,531	-	22,531
Investment Earnings - Interest				489	796	1,285
Other				33,614	-	33,614
Total General Revenues				80,545	796	81,341
Change in Net Assets				(12,333)	(21,399)	(33,732)
Net Assets - Beginning of the Year				245,557	446,999	692,556
Net Assets - End of the Year				\$ 233,224	\$ 425,599	\$ 658,823

The Notes to the Financial Statements are an Integral Part of this Statement.



**VILLAGE OF MILLERSBURG**

**Governmental Funds  
Balance Sheet  
March 31, 2007**

		Special Revenue Funds		Totals
	General Fund	Major Streets	Local Streets	Governmental Funds
<b>Assets</b>				
<b>Assets</b>				
Cash and Cash Equivalents ( <b>Note 3</b> )	\$ 26,004	\$ -	\$ -	\$ 26,004
Restricted Cash and Cash Equivalents ( <b>Note 3</b> )	1,890	10,804	26,807	39,502
Accounts Receivable ( <b>Note 4</b> )	7,506	-	-	7,506
Due From Other Funds ( <b>Note 6</b> )	15,473	-	-	15,473
Total Assets	<u>\$ 50,873</u>	<u>\$ 10,804</u>	<u>\$ 26,807</u>	<u>\$ 88,484</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable ( <b>Note 6</b> )	\$ 3,622	\$ 1,293	\$ 873	\$ 5,788
Accrued Liabilities ( <b>Note 6</b> )	351	-	-	351
Due To Other Funds ( <b>Note 6</b> )	-	5,919	2,896	8,815
Total Liabilities	<u>3,973</u>	<u>7,212</u>	<u>3,769</u>	<u>14,954</u>
<b>Fund Balances (<b>Note 9</b>)</b>				
Reserved for:				
Streets and Highways	-	3,592	23,039	26,631
Tax Account	94	-	-	94
Designated Activities	1,796	-	-	1,796
Unreserved for:				-
General Fund	<u>45,010</u>	<u>-</u>	<u>-</u>	<u>45,010</u>
Total Fund Balances	<u>46,900</u>	<u>3,592</u>	<u>23,039</u>	<u>73,531</u>
Total Liabilities and Fund Balances	<u>\$ 50,873</u>	<u>\$ 10,804</u>	<u>\$ 26,807</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	198,957
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(39,264)
<b>Net Assets - Governmental Activities</b>	<u><b>\$ 233,224</b></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**VILLAGE OF MILLERSBURG**

**Governmental Funds  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended March 31, 2007**

		Special Revenue Funds		Total Governmental Funds
	General Fund	Major Streets	Local Streets	
<b>Revenues</b>				
Property Tax Revenues	\$ 23,911	\$ -	\$ -	\$ 23,911
State of Michigan - Revenue Sharing	22,531	-	-	22,531
Michigan Transportation Fund	-	29,639	11,159	40,799
Interest	281	44	163	489
Equipment rental	10,302	-	-	10,302
Grant to Community Youth	3,500	-	-	3,500
Contributions to Community Youth	3,235	-	-	3,235
Cost recovery	22,689	-	-	22,689
Other Income	10,925	-	-	10,925
Total Revenues:	97,374	29,683	11,323	138,380
<b>Expenditures</b>				
General Government	60,607	-	-	60,607
Public Works	5,282	26,341	23,970	55,594
Community Promotions	10,967	-	-	10,967
Capital Outlay	-	-	-	-
Debt Payments	11,849	-	-	11,849
Total Expenditures:	88,704	26,341	23,970	139,016
<b>Excess of Revenue Over Expenditures</b>	8,670	3,342	(12,648)	(635)
<b>Other Financing Sources ( Uses )</b>				
Transfers - out	-	(250)	-	(250)
Transfers - in	-	-	250	250
Total Other Financing Sources ( Uses ):	-	(250)	250	-
<b>Net Changes in Fund Balances</b>	8,670	3,092	(12,398)	(635)
<b>Fund Balances - Beginning of the Year</b>	38,230	500	35,436	74,166
<b>Fund Balances - End of the Year</b>	<u>\$ 46,900</u>	<u>\$ 3,592</u>	<u>\$ 23,039</u>	<u>\$ 73,531</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

## VILLAGE OF MILLERSBURG

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### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2007

**Net Changes in Fund Balances - Total Governmental Funds** **\$ (635)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their useful lives as depreciation.

Capital Outlay	\$ -	
Depreciation	<u>(21,364)</u>	(21,364)

Payments for Capital Lease principal is an expenditure in the governmental funds, but are not in the statement of activities (where it reduces long-term debt)

Debt Payments	\$ 11,850	
Interest in Payments	<u>(2,182)</u>	9,667

**Change in Net Assets of Governmental Activities** **\$ (12,333)**

The Notes to the Financial Statements are an Integral Part of this Statement.

## VILLAGE OF MILLERSBURG

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### Proprietary Fund Statement of Net Assets March 31, 2007

	<u>Water Fund</u>
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents ( <b>Note 3</b> )	\$ 33,427
Restricted Cash and Cash Equivalents ( <b>Note 3</b> )	21,069
Accounts Receivable ( <b>Note 4</b> )	<u>2,223</u>
Total Current Assets	56,718
Noncurrent Assets - Capital Assets Net of Depreciation	<u>545,432</u>
Total Assets	602,150
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable ( <b>Note 6</b> )	2,894
Due to Other Funds ( <b>Note 6</b> )	6,657
Current Portion of Long-term Debt ( <b>Note 8</b> )	<u>3,000</u>
Total Current Liabilities	12,551
Noncurrent Liabilities	
Long-term Debt - Net of Current Portion ( <b>Note 8</b> )	<u>164,000</u>
Total Noncurrent Liabilities	<u>164,000</u>
Total Liabilities	<u>176,551</u>
<b>Net Assets (<b>Note 9</b>)</b>	
Investment in Capital Assets - Net of Related Debt	378,432
Restricted	21,069
Unrestricted	<u>26,098</u>
Total Net Assets	<u><u>\$ 425,599</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**VILLAGE OF MILLERSBURG**

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**Proprietary Fund  
Statement of Statement of Revenues, Expenses and  
Changes in Net Assets  
For the Year Ended March 31, 2007**

	<u>Water Fund</u>
<b>Operating Income</b>	
Water Fees	\$ 28,571
Hydrant and Other Rent Fees	<u>10,208</u>
Total Operating Income	38,779
<b>Operating Expenses</b>	
Dues and Subscriptions	1,053
Operation Wages	4,196
Vehicle Expense	1,500
Supplies	1,644
Utilities	3,414
Internet Fees	200
Equipment Rental	75
Depreciation	20,777
Water Testing	2,598
Contracted Services	1,017
Postage and Delivery	566
Equipment Repairs	1,040
Telephone	679
Training	1,381
Administrative Cost	4,931
Space Cost	6,283
Fringe Cost	773
Miscellaneous	
Total Operating Expenses	<u>52,128</u>
<b>Operating Income (Loss)</b>	(13,349)
<b>Nonoperating Revenue (Expense)</b>	
Investment Income	796
Interest Expense	<u>(8,846)</u>
Total Nonoperating Revenue (Expense)	(8,051)
<b>Income (Loss) Before Other Financing Sources (Uses)</b>	(21,399)
<b>Other Financing Sources (Uses)</b>	-
<b>Change in Net Assets</b>	(21,399)
<b>Net Assets - Beginning of the Year</b>	<u>446,999</u>
<b>Net Assets - End of the Year</b>	<u><u>\$ 425,599</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**VILLAGE OF MILLERSBURG**

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**Proprietary Fund  
Statement of Cash Flows  
For the Year Ended March 31, 2007**

	<u>Water Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 40,553
Payments to vendors	(15,168)
Payments to employees	(4,196)
Payments to other Funds	<u>(11,987)</u>
Net Cash Provided by (Used in) Operating Activities	<u><b>9,202</b></u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal on Debt	(3,000)
Interest on Debt	<u>(8,846)</u>
Net Cash (Used in) Capital and Related Financing Activities	<u>(11,846)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received	<u>796</u>
Net Cash Provided by Investing Activities	<u>796</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,848)
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<u>56,344</u>
<b>Cash and Cash Equivalents - End of the Year</b>	<u><u><b>\$ 54,496</b></u></u>
<b>Statement of Net Assets Classification of Cash and Cash Equivalents</b>	
Cash and Cash Equivalents	\$ 33,427
Restricted Cash and Cash Equivalents	<u>21,069</u>
Total Cash and Cash Equivalents	<u><u><b>\$ 54,496</b></u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>	
Operating Income	\$ (13,349)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Depreciation	20,777
Changes in Assets and Liabilities	
Accounts Receivable	1,436
Due to Other Funds	(2,102)
Accounts Payable	<u>2,440</u>
Net Cash Provided by (Used in) Operating Activities	<u><u><b>\$ 9,202</b></u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Millersburg, Michigan (the “Village”) conform to accounting principals generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

##### **Reporting Entity**

The Village is located in Presque Isle County and was organized in 1901 and covers an area of approximately 1 square mile. The village operates under an elected Board comprised of a President, Treasurer, Clerk and six Trustees.

##### **Government –wide and Fund Financial Statements**

The government-wide (“Village-wide”) financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Village-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund** - The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from property taxes, state-shared revenue, and other sources.



## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Major Streets Special Revenue Fund** - The Major Streets Fund accounts for the resources of state gas and weight tax revenues, provided by the Michigan Transportation Fund, that are restricted for use on major streets.

**Local Streets Special Revenue Fund** - The Local Streets Fund accounts for the resources of state gas and weight tax revenues, provided by the Michigan Transportation Fund, that are restricted for use on local streets.

**Water Fund** - The Water Fund accounts for the activities of the water department system. This fund is financed primarily by user charges.

The Water Fund is considered a proprietary fund. Proprietary funds distinguish operating revenue from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our single proprietary fund relates to charges to customers for water related services. The water department recognizes water usage fees, hydrant rentals and hook-up fees intended to recover current costs (e.g., labor, maintenance and supplies) as revenue. Operating expenses for our proprietary fund includes the cost of services, administrative cost, fringe cost, space cost, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

The Village collects property taxes from its residents. Taxes are levied and become due and payable on July 1 of each year. The Village will collect these taxes until October at which time any unpaid tax bills are turned over to Presque Isle County Treasurer for final collections. On March 31 of each year, Presque Isle County determines the amount of levied taxes still due the Village since the previous October. At this time penalties and interest are assessed. The amount of uncollected taxes is disclosed as accounts receivable - delinquent taxes on the balance sheet at the year ending March 31, 2007. On March 31, 2007 the delinquent tax amount due from Presque Isle County was \$5,506 and should be received by the Village during the month of June, 2007.

Total taxable value for the Village is \$3.4 million with an operating millage rate of 6.5475 which generated total tax revenue for the fiscal year of \$23,911.

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Assets, Liabilities and Net Assets or Equity**

**Bank Deposits** – The Village’s Cash and cash equivalents are considered to be cash on hand and are highly liquid. Cash and cash equivalents are comprised of checking accounts, savings accounts and certificates of deposit balances.

**Cash Investments** – When needed the Village investments only in certificates of deposit.

**Restricted Assets** – The Water Fund has two accounts that are restricted to facilitate paying the Long-term debt owed to the United States Department of Agriculture for water system capital assets. The general fund also has accounts which are restricted for property tax collections and other designated purposes for “Gertz Foundation” activities, “Random Acts of Kindness” activities, and “Community Youth Program” activities.

**Receivables** – There is a trade accounts receivable balance in the Water Fund for outstanding amounts due from customers for water fees, hydrant rental fees and hook-up fees. Pine Lumber Company owes the Village General Fund for Elm Street work. There also exists a property tax receivable for delinquent taxes that is paid to the Village by Presque Isle County during the month of June following the end of the fiscal year.

Activity between funds that are representative of amounts outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., administrative, space and fringe costs accrued on behalf of the fund by the general fund that are to be reimbursed to the general fund *or* amounts due to another fund that are required by law or regulation that has not yet been paid).

**Capital Assets** - Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Buildings, equipment, vehicles and infrastructure are depreciated using the straight-line method over the following useful lives:

Roads, Bridges and Sidewalks	20 years
Water Distribution System	40 years
Buildings and Building Improvements	40 years
Vehicles	5 to 7 years
Office Furnishings	5 to 7 years
Other Equipment	3 to 7 years

**Long-term Obligations** - In the government –wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Prior to March 1st the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to the third week in March, the budget is legally enacted through passage of a resolution. All budget adjustments are approved by Village Board resolution.

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING - Continued**

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Budgets for the General, Special Revenue, and Capital Projects Funds (when the latter fund is required) are adopted on a modified accrual basis. Budgeted amounts are as originally adopted, or as amended by the Village Board.

The Village also established a budget for the Water Fund.

#### **NOTE 3 - CASH AND CASH EQUIVALENTS**

The Village considers all regular deposits and certificates of deposit as cash equivalents since they are highly liquid assets.

All cash deposits of the Village are at FDIC insured banking institutions in the name of the Village of Millersburg. Act 217, PA 1982 authorizes the Village to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency of instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance legal for rating agencies within the three highest classifications maturing not more than 270 days after the date of purchase, and involving no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

The Village's deposits are in accordance with statutory authority. The Governmental Accounting Standard Board (GASB) Statement No.3 risk disclosures for the Village's cash deposits are as follows:

The following is a schedule that shows cash and cash equivalent risk disclosure in terms of insured and uninsured balances:

	Carrying Amount	Bank Amount	FDIC Insured Amount	Uninsured Amount
Cash and Cash Equivalents	March 31, 2007	March 31, 2007		
Citizens National Bank	\$ 69,997	\$ 68,302	\$ 68,302	\$ -
Huron National Bank	50,005	47,970	47,970	-
Total Cash	<u>\$ 120,002</u>	<u>\$ 116,272</u>	<u>\$ 116,272</u>	<u>\$ -</u>

## VILLAGE OF MILLERSBURG

### Notes to the Financial Statements March 31, 2007

#### NOTE 4 – RECEIVABLES

The Delinquent Property Taxes receivable account, which has a balance of \$5,506 as of March 31, 2007. This balance is paid to the Village during the month of June by Presque Isle County. The Village was still owed \$2,000 from Pine Lumber for Elm Street work. The Water Department had an accounts receivable balance of \$2,223 for water fees due from customers as of March 31, 2007.

#### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not depreciated:				
depreciated:				
Land	\$ 51,064	\$ -	\$ -	\$ 51,064
Total capital assets, not being depreciated:	51,064	-	-	51,064
Capital assets being depreciated:				
Buildings	66,146	-	-	66,146
Furniture and Fixtures	8,432	-	-	8,432
Office Equipment	6,704	-	-	6,704
Capital Lease - Truck	88,040	-	-	88,040
Streets and Bridge Infrastructure	114,152	-	-	114,152
Total Assets Being Depreciated	283,474	-	-	283,474
Less accumulated depreciation for:				
Buildings	(32,778)	(1,654)	-	(34,432)
Furniture and Fixtures	(5,584)	(1,424)	-	(7,008)
Office Equipment	(6,704)	-	-	(6,704)
Capital Lease - Truck	(27,250)	(12,578)	-	(39,828)
Streets and Bridge Infrastructure	(41,901)	(5,708)	-	(47,609)
Total accumulated depreciation	(114,217)	(21,364)	-	(135,581)
Total capital assets, being depreciated, net	169,257	(21,364)	-	147,893
<b>Governmental activities capital assets, net</b>	<b>\$ 220,321</b>	<b>\$ (21,364)</b>	<b>-</b>	<b>\$ 198,957</b>

## VILLAGE OF MILLERSBURG

### Notes to the Financial Statements March 31, 2007

#### **NOTE 5 – CAPITAL ASSETS – Continued**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
depreciated:				
Land	\$ 2,650	\$ -	\$ -	\$ 2,650
Total capital assets, not being depreciated:	2,650	-	-	2,650
Capital assets being depreciated:				
Water Equipment	777,000	-	-	777,000
Water Utility System	9,195	-	-	9,195
Major Repairs	12,500	-	-	12,500
Total Assets Being Depreciated	798,695	-	-	798,695
Less accumulated depreciation for:				
Water Equipment	(225,447)	(20,448)	-	(245,895)
Water Utility System	(9,195)	-	-	(9,195)
Major Repairs	(494)	(329)	-	(823)
Total accumulated depreciation	(235,136)	(20,777)	-	(255,913)
Total capital assets, being depreciated, net	563,559	(20,777)	-	542,782
<b>Business-type activities capital assets, net</b>	<b>\$ 566,209</b>	<b>\$ (20,777)</b>	<b>-</b>	<b>\$ 545,432</b>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 3,078
Public Works - Equipment and Infrastructure	18,286
Total depreciation expense - governmental activities	<u>\$ 21,364</u>
Business-type Activities:	
Water system	\$ 20,777
Total depreciation expense - business-type activities	<u>\$ 20,777</u>

## VILLAGE OF MILLERSBURG

### Notes to the Financial Statements March 31, 2007

#### **NOTE 6 – PAYABLES & ACCRUALS/ INTERFUND RECEIVABLES & PAYABLES / TRANSFERS**

**Accounts payable balances** are for vendor balances that were due at March 31, 2007.

**Accrued liabilities** are payroll related liabilities that were due at March 31, 2007.

Detail of due from/to other fund balances at March 31, 2007, is as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 15,473	Major Street	\$ 5,919
		Local Street	2,896
		Water Department	6,657
	<u>15,473</u>		<u>15,473</u>
Local Street	-	Major Street	-
	<u>\$ 15,473</u>		<u>\$ 15,473</u>

Detail of interfund transfers is as follows:

<u>Transfer Out</u>	<u>Amount</u>	<u>Transfer In</u>	<u>Amount</u>
Major Street	\$ 250	Major Street	\$ -
Local Street	-	Local Street	250
Total Transfers Out	<u>\$ 250</u>	Total Transfers In	<u>\$ 250</u>

#### **NOTE 7 - RETIREMENT PLAN**

The Village initiated a money purchase plan effective as of 7/1/91. The trustee/agent is the Lappan Insurance Agency, Alpena, Michigan. Under the terms of the pension plan the Village will fund the plan at 14% of gross payroll. During the fiscal year ending March 31, 2007 the Village contributed a total of \$3,352 to the plan which represents \$3,227 for 14% of \$23,525 in gross wages for those who were eligible and a \$125 renewal charge for the plan. Summer help for the youth program were not included.

## VILLAGE OF MILLERSBURG

### Notes to the Financial Statements March 31, 2007

#### NOTE 8 - LONG-TERM DEBT

Long-term liability activity for the fiscal year ended March 31, 2007, was as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Governmental Activities:				
Capital Lease Liability - Truck	\$ 48,931	\$ -	\$ 9,667	\$ 39,264
	<u>\$ 48,931</u>	<u>\$ -</u>	<u>\$ 9,667</u>	<u>\$ 39,264</u>
Business-type Activities:				
United States Dept of Agriculture	\$ 170,000	\$ -	\$ 3,000	\$ 167,000
Revenue Bond	<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 167,000</u>

#### Capital Lease – Truck

The Village entered into a capital lease for a Sterling Dump Truck. The total lease price with fees came to \$88,040. The interest rate on the lease is 5.50% and the monthly payments are \$987. The lease will be complete after 84 payments in the fiscal year 2011. At the end of the lease, the Village will purchase the truck for one dollar. The following shows future scheduled minimum lease obligations until the lease is paid in full:

Fiscal Year Ending March 31	Payments	Interest Portion of Payments	Present Value Of Minimum Lease Payments
2008	11,849	2,260	9,589
2009	11,849	1,399	10,450
2010	11,849	810	11,039
2011	8,885	699	8,186
Total	<u>\$ 44,432</u>	<u>\$ 5,168</u>	<u>\$ 39,264</u>



## VILLAGE OF MILLERSBURG

### Notes to the Financial Statements March 31, 2007

#### **NOTE 8 - LONG-TERM DEBT - Continued**

##### Water Department - Enterprise Fund

The long-term debt of the Village Water Department consists of a 40 year Revenue Bond issuance Water Supply System Revenue, 1993, in the amount of \$194,000 issued to the Rural Development - Farmers Home Administration, an agency of the United States Department of Agriculture. The interest rate of the bond is at 5.250% with estimated future maturities of:

<u>Fiscal Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>
2008	3,000	9,000
2009	6,000	6,000
2010	6,000	6,000
2011	6,000	6,000
2012	6,000	6,000
2013 to 2017	30,000	30,000
2018 to 2022	30,000	29,500
2023 to 2027	30,000	28,250
2028 to Maturity	50,000	40,900
Total	<u>\$ 167,000</u>	<u>\$ 161,650</u>

#### **NOTE 9 - FUND BALANCES AND NET ASSETS**

The following reserved fund balances are for capital assets net of depreciation and specific uses of donations made to the General Fund and corresponding cash amounts that are used exclusively by the General Fund and Special Revenue funds for designated purposes.

<u>Fund</u>	<u>Restricted Fund Balance</u>	<u>Reserved Net Assets</u>
<u>General Fund:</u>		
Capital Assets Net of Depreciation	\$ -	\$ 159,693
Current Tax Account	94	94
Random Acts of Kindness	212	211
Community Youth Program	1,584	1,584
General Fund - Total	<u>1,890</u>	<u>161,582</u>
<u>Special Revenue Funds:</u>		
Major Street	3,592	3,592
Local Street	23,039	23,039
Special Revenue Fund - Total	<u>26,631</u>	<u>26,631</u>
Totals	<u>28,521</u>	<u>188,213</u>

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 9 - FUND BALANCES AND NET ASSETS - Continued**

The following shows the reserved and unreserved net assets of the Water Department enterprise fund.

	<u>3/31/2006</u>
Investment in Capital Assets - Net of Related Debt	\$ 378,432
Restricted Net Assets - Cash Investments	21,069
Unrestricted Net Assets	<u>26,098</u>
Total retained earnings	<u>\$ 425,599</u>

#### **NOTE 10 – GASB 34 REPORTING MODEL – MARCH 31, 2005 - REQUIRED IMPLEMENTATION**

Starting with the FYE 3-31-05, the Village was required to adopt a new accounting model based on GASB 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities. Two new Village-Wide financial statements are required in the new model, designed to provide more useful information. Governmental fund accounting statements are still used, but the general fixed assets and the long-term debt account groups are no longer used. General fixed assets and long-term debt are incorporated into the two new Village-wide financial statements. Reconciliations are necessary to show the differences between the Village-Wide statements and the fund accounting statements.

GASB 34 also requires that a Management Discussion and Analysis (MD&A) section and a Required Supplementary Information (RSI) section be included in an audit or review report. The MD&A is meant to be an objective and easily readable analysis of the Village’s financial activities prepared by Village management. The RSI requires that budgetary information be included after the notes to the financial statements. These budgetary information schedules will show the original budget, the final budget, the actual activities for the fiscal year and the variances between final budget and actual activities.

Comparative numbers for the Village’s Net Assets and Changes in Net Assets are displayed in the MD&A for the first time this fiscal year.

## VILLAGE OF MILLERSBURG

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### Notes to the Financial Statements March 31, 2007

#### **NOTE 11 – RECONCILIATION OF VILLAGE-WIDE AND FUND FINANCIAL STATEMENTS**

##### **1) Explanation of certain differences between the governmental fund balance sheet and the Village-wide statement of net assets**

The governmental fund balance sheet included a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the Village-wide statement of net assets. One element of the reconciliation explains that:

*“long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”*

Another element of the reconciliation explains that:

*“capital assets used in governmental activities are not financial resources and therefore are not reported in the funds”*

The following is an explanation of the differences stated above:

Capital Lease Liability Element		\$ (39,264)
Capital Assets Element:		
Capital Assets acquired in prior years	\$ 334,538	
Capital assets acquired during the current year	-	
Less: Accumulated Depreciation	(135,581)	
Total		<u>198,957</u>
<b>Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i></b>		<b><u>\$ 159,693</u></b>
<b>Total Fund Balance - Total Governmental Funds</b>		<b>\$ 73,531</b>
Net Reconciling Adjustment		<u>159,693</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 233,224</u></b>

## VILLAGE OF MILLERSBURG

### Notes to the Financial Statements March 31, 2007

#### **NOTE 11 – RECONCILIATION OF VILLAGE-WIDE AND FUND FINANCIAL STATEMENTS- Continued**

##### **2) Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the Village-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances included a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets – governmental activities* as reported in the Village-wide statement of activities. One element of the reconciliation explains that:

*“Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”*

Another element of the reconciliation explains that:

*“Payments for capital lease obligations is an expenditure in the governmental funds, but are not in the statement of activities (where it reduces long-term debt).”*

The following is an explanation of the differences stated above:

##### Capital Outlay Element:

Capital assets acquired during the current year	\$	-	
Less: Accumulated Depreciation		(21,364)	
Total			<u>\$ (21,364)</u>

##### Capital Lease Principal Payments Element

Debt Payments	\$	11,850	
Less: Interest in Payments		(2,182)	
Total			<u>9,668</u>

**Net adjustment to decrease *net changes in fund balance - total governmental funds* to arrive at *changes in net assets of governmental activities***

**\$ (11,697)**

**Net Changes in Fund Balances - Total Governmental Funds**

**\$ (635)**

Net Reconciling Adjustment

(11,697)

**Changes in Net Assets of Governmental Activities**

**\$ (12,333)**

**VILLAGE OF MILLERSBURG**
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Revenues</b>				
Property Tax Revenues	\$ 22,496	\$ 22,496	\$ 23,911	\$ 1,415
State of Michigan - Revenue Sharing	22,921	22,921	22,531	(390)
Interest	90	90	281	191
Equipment rental	4,000	4,000	10,302	6,302
Grant to Community Youth	-	-	3,500	3,500
Contributions to Community Youth	-	-	3,235	3,235
Cost recovery	14,900	14,900	22,689	7,789
Other Income	13,000	13,000	10,925	(2,075)
<b>Total Revenues</b>	<b>77,407</b>	<b>77,407</b>	<b>97,374</b>	<b>19,967</b>
<b>Expenditures</b>				
General Government	58,028	71,739	60,607	11,132
Public Works	7,302	5,878	5,282	596
Community Promotions	2,891	2,891	10,967	(8,076)
Capital Outlay	-	-	-	-
Debt Payments	11,848	11,848	11,849	(1)
<b>Total Expenditures</b>	<b>80,069</b>	<b>92,356</b>	<b>88,704</b>	<b>3,652</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(2,662)</b>	<b>(14,949)</b>	<b>8,670</b>	<b>23,619</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in from Major Streets	3,500	3,500	-	3,500
<b>Net Change in Fund Balance</b>	<b>838</b>	<b>(11,449)</b>	<b>8,670</b>	<b>27,119</b>
<b>Fund Balance - Beginning of the Year</b>	<b>38,230</b>	<b>38,230</b>	<b>38,230</b>	<b>-</b>
<b>Fund Balance - End of the Year</b>	<b>\$ 39,068</b>	<b>\$ 26,781</b>	<b>\$ 46,900</b>	<b>\$ 27,119</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

# VILLAGE OF MILLERSBURG

## Required Supplemental Information Budgetary Comparison Schedule Major Streets For the Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Revenues</b>				
Michigan Transportation Fund	\$ 26,000	\$ 26,000	29,639	\$ 3,639
Interest	50	50	44	(6)
<b>Total Revenues</b>	<u>26,050</u>	<u>26,050</u>	<u>29,683</u>	<u>3,633</u>
<b>Expenditures</b>				
Public Works	<u>22,200</u>	<u>23,489</u>	<u>26,341</u>	<u>(2,852)</u>
Total Public Works	<u>22,200</u>	<u>23,489</u>	<u>26,341</u>	<u>(2,852)</u>
<b>Excess of Revenues Over</b>	3,850	2,561	3,342	781
<b>Other Financing (Uses)</b>				
Transfer to General Fund	(3,500)	(3,500)	-	3,500
Transfer to Local Streets	<u>(350)</u>	<u>(350)</u>	<u>(250)</u>	<u>100</u>
Total Other Financing (Uses)	<u>(3,850)</u>	<u>(3,850)</u>	<u>(250)</u>	<u>3,600</u>
<b>Net Change in Fund Balance</b>	-	(1,289)	3,092	4,381
<b>Fund Balance - Beginning of the Year</b>	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
<b>Fund Balance - End of the Year</b>	<u><u>\$ 500</u></u>	<u><u>\$ (789)</u></u>	<u><u>\$ 3,592</u></u>	<u><u>\$ 4,381</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**VILLAGE OF MILLERSBURG****Required Supplemental Information  
Budgetary Comparison Schedule  
Local Streets  
For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Revenues</b>				
Michigan Transportation Fund	\$ 11,000	\$ 11,000	11,159	\$ 159
Interest	150	150	163	13
<b>Total Revenues</b>	<u>11,150</u>	<u>11,150</u>	<u>11,323</u>	<u>173</u>
<b>Expenditures</b>				
Public Works	<u>22,718</u>	<u>22,718</u>	<u>23,970</u>	<u>(1,252)</u>
<b>Total Expenditures</b>	<u>22,718</u>	<u>22,718</u>	<u>23,970</u>	<u>(1,252)</u>
<b>Excess of Revenues Over</b>	<u>(11,568)</u>	<u>(11,568)</u>	<u>(12,648)</u>	<u>(1,079)</u>
<b>Other Financing (Uses)</b>				
Transfer from Other Funds	4,425	4,425	250	(4,175)
Transfer Out to General	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing (Uses)	<u>4,425</u>	<u>4,425</u>	<u>250</u>	<u>(4,175)</u>
<b>Net Change in Fund Balance</b>	<u>(7,143)</u>	<u>(7,143)</u>	<u>(12,398)</u>	<u>(5,254)</u>
<b>Fund Balance - Beginning of the Year</b>	<u>35,436</u>	<u>35,436</u>	<u>35,436</u>	<u>(0)</u>
<b>Fund Balance - End of the Year</b>	<u><u>\$ 28,293</u></u>	<u><u>\$ 28,293</u></u>	<u><u>\$ 23,039</u></u>	<u><u>\$ (5,254)</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**VILLAGE OF MILLERSBURG****Required Supplemental Information  
Budgetary Comparison Schedule  
Water Fund  
For the Year Ended March 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Water Fees	35,113	\$ 35,113	\$ 38,779	\$ 3,666
<b>Total Revenues</b>	35,113	35,113	38,779	3,666
<b>Expenses</b>				
Operating Expenses				
Operating Expenses	27,579	28,153	28,210	(57)
Administrative Costs	3,500	3,500	4,931	(1,431)
Space Costs	3,500	3,500	6,283	(2,783)
Fringe Costs	635	635	773	(138)
Total Operating Expenses	35,214	35,788	40,197	(4,409)
<b>Operating Income</b>	(101)	(675)	(1,418)	(743)
<b>Nonoperating Revenue - Interest Income</b>	100	100	796	696
<b>Change in Net Assets Prior to Depreciation</b>	(1)	(575)	(622)	(47)
* Non-cash Depreciation Expense	-	-	(20,777)	(20,777)
<b>Change in Net Assets After Depreciation</b>	(1)	(575)	(21,399)	(20,824)
<b>Net Assets - Beginning of the Year</b>	446,999	446,999	446,999	446,999
<b>Net Assets - End of the Year</b>	<u>\$ 446,998</u>	<u>\$ 446,424</u>	<u>\$ 425,600</u>	<u>\$ 426,175</u>

\* Depreciation was not considered in the cash basis budget, but is included in this statement to facilitate reconciling the "Actual" column to the Statement of Revenues, Expenses and Changes in Net Assets for the Water Fund.

The Notes to the Financial Statements are an Integral Part of this Statement.